



WISCONSIN

DEPARTMENT OF WORKFORCE DEVELOPMENT

Division of Economic Support

Bureau of Welfare Initiatives

**TO: Economic Support Supervisors
Economic Support Lead Workers
Training Staff
FSET Administrative & Provider Agencies
Child Care Coordinators
W-2 Agencies**

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BWSP OPERATIONS MEMO

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Non W-2 ☒ **W-2** ☒ **CC** ☐

PRIORITY: Medium

SUBJECT: INDIVIDUAL DEVELOPMENT ACCOUNT (IDA) PROGRAMS

EFFECTIVE DATE: Immediately

PURPOSE

This memo:

1. Provides information about new Individual Development Account (IDA) Programs that have received funding from federal agencies and that provide a valuable resource for low-income residents.
2. Encourages W-2 Agencies and staff to work with IDA Programs in their communities
3. Clarifies treatment of IDA accounts in determining eligibility for W-2, Food Stamps (FS) and Medical Assistance (MA).

IDA Programs help individuals:

- ◆ establish a relationship with a financial institution.
- ◆ open savings accounts.
- ◆ establish a pattern of saving.
- ◆ build assets.
- ◆ receive "matching funds" for investment in certain qualifying assets such as purchasing a home, starting a business, or pursuing post-secondary education.

BACKGROUND

While IDAs are an authorized activity under federal Temporary Assistance for Needy Families (TANF) law, Wisconsin has not chosen to implement a statewide IDA program under the TANF plan. However, several W-2 agencies submitted plans to use Community Reinvestment funds for IDAs. The Department's Plan to include IDAs under Community Reinvestment has recently received federal acknowledgement, so additional agencies may also choose to develop IDAs with Community Reinvestment funds.

In addition, the federal Department of Health and Human Services, Office of Community Services, has announced grants to organizations in Wisconsin to establish IDA Programs. The federal Office of Refugee Resettlement has also awarded grants to Wisconsin agencies to create IDA Programs serving refugees.

Several Wisconsin community based agencies (Community Action Agencies, United Migrant Opportunity Services, Wisconsin Women's Business Initiative Corporation, and Lao Family Community) have received grants under these federal programs.

The names, addresses, and phone numbers of the organizations receiving federal IDA grants are attached.

THE IDA PROGRAM

IDAs are restricted/dedicated savings accounts opened at participating financial institutions (banks & credit unions) by eligible low-income persons. Eligible persons regularly deposit portions of their earned income to their IDA account. Withdrawals of funds from the IDA account and the receipt of "matching funds" from the IDA Program is limited to qualified "investments" for the purchase of a home, starting a small business, or post-secondary education. (Federal funding from the Office of Refugee Resettlement may also be used to assist persons to purchase an automobile or a computer if needed to obtain or maintain employment.)

Local IDA Programs recruit participating financial institutions, recruit and select eligible IDA participants, provide financial literacy training and asset-use training (such as home buying seminars or business start-up assistance), approve/certify the use of IDA account funds and provide matching funds for qualifying withdrawals from the IDA Account.

IDA PARTICIPANT ELIGIBILITY CRITERIA

Assets For Independence Act

Federal funding from the Office of Community Services will enable grantees and sub-grantees to create IDAs for TANF-eligible persons (from households with incomes less than 200% of the poverty level) **or** persons from a household whose adjusted gross income does not exceed the amounts specified for the federal Earned Income Tax Credit (EITC) Program and whose net worth does not exceed \$10,000 (excluding the primary dwelling and one vehicle).

Refugee Act

Federal funding from the Office of Refugee Resettlement will enable grantees and sub-grantees to serve refugees who have earned income but whose household earned income at the time of enrollment does not exceed 200% of the federal poverty level and whose assets do not exceed \$10,000 (excluding the value of a primary residence.)

Community Reinvestment Funds

W-2 agencies using Community Reinvestment funds may establish eligibility criteria within the eligibility limits set for Community Reinvestment.

TREATMENT OF IDA SAVINGS

Assets For Independence & Refugee Acts

The client savings in an IDA account established under the Office of Community Services or Office of Refugee Services grants are currently considered assets for the purpose of determining eligibility for W-2, Food Stamps, Medical Assistance, and Refugee Cash and Medical Assistance. The match funds reserved for a participant with an IDA account, including accrued interest, are not available to the participant and are therefore not considered when determining eligibility for W-2, Food Stamps, Medical Assistance, Refugee Cash and Medical Assistance or any other federal means tested benefit. The match provided by the IDA program is paid directly to the qualifying educational institution or for exempt home or business assets and is not considered income in the month received.

Proposed federal legislation could change the treatment of client savings under these programs. If such legislation is enacted, the Department will notify W-2 Agencies.

Community Reinvestment

Under 45 CFR 263.20, which governs the use of TANF funds, funds in an IDA account must be disregarded in determining eligibility for or the amount of assistance in any federal means-tested programs. Thus, if a W-2 agency uses Community Reinvestment or other TANF funds to establish IDAs, the client savings in those IDAs would be considered an exempt asset.

The federal TANF law has designated IDAs as “non-assistance” services. Hence, a person’s participation in an IDA Program does not tick a participant’s 60-month clock. See BWSP Operations Memo 99-70 for additional information on “non-assistance” services.

Verification & Withdrawal Of Savings—All Programs

Verification of client savings amounts in an IDA account may be made with the financial institution like any other savings. If the applicant/recipient indicates that a savings account is an IDA account and the W-2 agency participates with TANF funds, the eligibility worker may contact the IDA administrative agency (see attached list) to identify if the client savings are in a TANF/IDA and are therefore exempt.

An IDA client may withdraw the savings in an IDA account under several circumstances:

1. To purchase a house or establish a business. This transfer to an exempt asset would not negatively affect eligibility.
2. To pay for post-secondary education or an emergency expense. If the withdrawal of savings and payment to the institution is made in the same month, the asset (whether exempt or counted) is expended and no longer an asset.
3. Client withdraws from program. Savings withdrawn from the IDA account become a counted asset (even if they were not counted when in a TANF/IDA account) if they are not spent in the month of the withdrawal.

ROLE OF W-2 AGENCIES

W-2 Agencies are encouraged to work with their local IDA Programs. IDAs are an asset-building anti-poverty strategy and, as such, are a logical “next step” in Wisconsin’s successful W-2 Program. FEPs and Resource Specialists may assist in these ways:

1. Refer eligible clients who are interested in saving for eligible activities to the IDA agency.
2. Provide financial literacy training to IDA participants to develop the financial management and planning skills necessary to make the most of their income, savings, and assets. Where available, combine IDA financial literacy training with training being offered through the Financial Literacy Education Initiative sponsored by DWD and the Department of Financial Institutions. The initiative will provide on-going credit rehabilitation and personal finance educational supports to W-2 eligible participants and their families.
3. Use the Employed Student Assistance Program (ESAP) to help former AFDC/W-2 clients pursuing post-secondary education using IDA savings and match required under ESAP.
4. Provide Job Access Loan in combination with IDA withdrawals to help participants obtain a car or housing near employment. (Note: purchase of a car is an allowable use of an IDA account only under the IDA grants funded by the Office of Refugee Resettlement.)

Local IDA Programs are seeking additional resources from a variety of sources in order to adequately staff their IDA Programs, provide services, including financial literacy training and case-management, and expand their programs to serve additional persons. W-2 Agencies may utilize Community Reinvestment funds to support IDA Programs and participants in a variety of ways, including the following:

1. Provide funds to IDA Programs to help participants develop asset management skills, such as homeownership skills (how to buy a home, understanding a mortgage, what to look for in a home, the responsibilities of homeownership, etc.) or Small Business Development (assistance in the development of the components of a business plan, marketing plan and financial plan.)
2. Provide funds to expand the match pool created by the IDA Programs in order to enroll and assist additional W-2 or Welfare to Work (WtW) participants in setting up IDA Accounts.
3. Provide funds to cover other operating costs, including program management, recruiting banks and participants, promoting IDAs, and evaluating programs.

IDA ADMINISTRATIVE AGENCIES

ADVOCAP, INC

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